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UNITED STATES DEPARTMENT of AGRICULTURE

DEPARTMENT CIRCULAR 403

Washington, D. C.

November, 1926

BUSINESS SET-UP OF A COOPERATIVE MARKETING ASSOCIATION

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CONTENTS

	Page		Page
Type of organization.....	1	Management	10
Membership relations.....	4	Selling program.....	12
Financing	8		

The primary purpose of a farmers' cooperative association is to conduct business activities incident to the marketing of the commodities produced by its members. All other plans and aims must be secondary. The foundation and framework of a cooperative marketing organization are to aid those producers who have united or who may unite in the enterprise to conduct it along sound and successful business lines. The cooperative association is also recognized as a constructive agency for the promotion of intelligent production. It is a natural agency for interpreting and distributing the information that will aid its members to adjust production to probable demand.

In stressing this business point of view there is no intention to minimize the educational and social values that are created through the human relationships developed while working together.

Problems involved in the development of a cooperative marketing organization are here considered in two major divisions: (1) Organization structure, including type of organization and membership relations, and (2) operating practices, including financing, management, and selling program.

TYPE OF ORGANIZATION

Much has been written about the different types of cooperative associations that have developed. Differences of opinion have arisen over the merits of the various types. A few persons have gone so far as to deny the name cooperative to organizations which do not conform to their special plans, and others have regarded lack of

uniformity as to type as a serious weakness of the cooperative movement.

As a matter of fact, the various forms which cooperative organizations have taken, demonstrate the adaptability and extensive usefulness of this form of business organization. Variations in form of organization have generally come about for economic reasons. There have been exceptions and instances where a group of farm leaders have borrowed from another locality or from another industry a form of organization which was not adapted to their problems. But as such a group gains experience, changes are made to adapt the organization to their requirements.

Cooperative organizations vary in type in accordance with (1) marketing services performed, (2) characteristics of the commodity handled, (3) character of the trade with which they must articulate, (4) extent and nature of the territory over which the association operates, and (5) financial and social status of the members.

For example, a group of farmers organizing to ship livestock to a terminal market, without an attempt to control the distribution, requires only a local shipping association. Their organization may or may not be incorporated since only a small investment, if any, is required to provide facilities for assembling livestock and shipping it in carload lots.

But if necessity arises for distributing livestock shipments to several markets, if there is a tendency on the part of several local associations to rush shipments to the market that appears the most promising at the moment, then the need arises for a central organization to aid in regulating the shipments of the locals.

Consider the market outlet situation for Iowa livestock. Besides the terminal markets at Omaha, Sioux City, St. Joseph, Kansas City, St. Louis, Chicago, and several eastern markets there are about 16 small packers and 14 reload stations handling Iowa hogs which operate either in Iowa or adjacent to the State. This is a complex market situation and one in which the separate locals need some kind of a central agency to direct shipments to the most advantageous markets. The formation of the Iowa Cooperative Livestock Shippers' Association, a federation of locals, is a further attempt on the part of the producers to meet this situation through federated activity.

The small informal livestock associations have been succeeded in some localities by organizations which undertake the additional functions of selling and shipping direct to packers. This requires a somewhat different type of business set-up than that of the local shipping association. The organization must be equipped to assemble a sufficient volume of livestock to grade out carload lots. It requires more managerial ability, and a larger volume of business is needed for effective selling and efficient operation.

The local creameries in Minnesota have served to correct what they regarded as inefficient and costly local service, but in the control of quality and adjustment of supply to the markets the local type of organization in itself has been inadequate. It was not until the locals federated and delegated the functions of selling, distribution, and quality control to one central agency that the Minnesota dairymen entered the broader field of merchandising their butter. The activity of the central organizations, in connection with quality con-

trol, systematic distribution, and bringing the producer into more direct relationship with the consumer, is an invaluable service to the dairy farmer and his local creamery.

There are special problems in the marketing of cotton and tobacco which lend themselves to the centralized form of organization. Warehousing and financing probably can be handled most effectively by a centralized association. Furthermore, there may be such limited quantities of the product assembled at any one local point that it is impossible for a local association to operate efficiently. Again, the financial status of the producers or their lack of experience in cooperative marketing may make it impossible to set up and finance local organizations.

Conditions may change, and it is fortunate that the form of most cooperative organizations is sufficiently flexible to permit of corresponding changes in accordance with conditions and the needs of their members. Some centralized cotton cooperatives are now interested in forming local units for the operation of cotton gins. Ginning cotton is a local function. The associations recognize fundamental differences between ginning and such functions as financing, distributing, and selling the product, and they recognize, too, the close contact a local cooperative gin will give them with their members in the community in which it operates. This is just one example of a change which may come about in the form of cooperative organizations. It illustrates the need of flexibility in cooperative types and the possible dangers of attempting to direct the movement into a rigid mold.

A discussion of organization types is of value only when the conditions that make certain types necessary or valuable are taken into consideration. Attempts to build cooperative associations according to any special plan have met with failure in the past, and it is possible that in the future we shall see more rather than fewer types of cooperative organizations.

Whatever the form of organization, however, there are a few well-recognized principles which distinguish the cooperative from the commercial organization. One of the cardinal principles in a cooperative association is that the voting shall be on the basis of members, whereas in the case of the commercial corporation the voting is on the basis of money—each shareholder having as many votes as he has shares of stock.

A second important difference between the ordinary commercial corporation and the cooperative with capital stock is that the amount of stock which a shareholder may own in a commercial corporation, from a legal standpoint, is ordinarily limited only by the availability of the stock, whereas in a cooperative stock corporation the amount of stock one may own is usually definitely limited. In fact, the placing of a limit on stock ownership is usually necessary in order to preserve the cooperative character of the association. For instance, if a substantial portion of the stock of a so-called cooperative association passed into the hands of one or two individuals it would raise a serious question as to whether the association was, in fact, cooperative. In practice, the principle of restricting the number of shares that a shareholder in a cooperative association may own results in a high degree of equality of financial interest that

tends to place all the members on a par and to make the foundation of the enterprise truly democratic and cooperative.

A third objection to forming a cooperative under the commercial corporation statutes is that in the cooperative organization the dividend rate on the capital stock should be limited to the current rate of interest or a fair return on capital invested. After meeting expenses providing for reserves and payment of a fair rate of interest on capital invested the net earnings (surplus) in a cooperative association which accrue in the course of business operations are returned to the patrons on the basis of volume of business done rather than on the amount of capital supplied, as is the practice in the commercial corporation. In the case of a commercial corporation the amount of dividends which may be paid upon the common stock usually is unlimited from a legal standpoint and dependent only upon the earnings of the corporation. A cooperative association is not a profit-making institution, but rather a service institution through which the producers seek to control in varying degrees the processes involved in the distribution of the products produced on their farms. The reasons for restricting the amount of dividends which may be paid upon the capital stock of a truly cooperative association are obvious. If a high rate of interest were paid, the member or shareholder of a cooperative would be inclined to look upon himself as an investor rather than as a cooperator. The so-called dividends which cooperatives pay upon their capital stock or membership capital may be referred to ordinarily as interest rather than as dividends.

The paying of interest on capital stock in a cooperative might well be eliminated if each member of the association put in the same amount and patronized the association to the same extent, or if the members put in varying amounts and then patronized the association to an extent corresponding with the amounts of money which they put into the enterprise. In practice, however, the situation does not exist in which each member patronizes the association to the same extent, so that the equality desired among members can be obtained only by the payment of a fair rate of interest on capital contributed.

The Capper-Volstead Act confers certain privileges upon associations which meet the conditions it prescribes. One of the alternative provisions of this act is that a cooperative association shall not pay dividends on stock or membership in excess of 8 per cent per annum.

Cooperative associations may be and frequently are formed without capital stock. A nonstock organization is radically different from a commercial corporation. Many of the features, such as one vote per member and the limitation of interest paid on capital contributed by the members, which must be restricted by special by-law provisions in the capital stock cooperative, are inherent in the nature of a nonstock organization.

The progress made in recent years in getting the cooperative form of business fully recognized and established is most encouraging. To-day all but two States have special statutes peculiarly adapted to the formation of cooperative associations.

MEMBERSHIP RELATIONS

An appreciation of the marketing services performed by the organization and a better knowledge of the principles and practices of

cooperative marketing on the part of its membership is essential to successful cooperation. The maintenance of adequate contacts and relations with producers after they have joined the cooperative marketing association, from the standpoint of continued business operations, is more important than the mere act of getting the membership. In order that the cooperative may make definite plans for carrying out policies as to financing, insurance, sales, and management it must be provided with a relatively certain and stable volume of business. The business in a cooperative must come from its membership. The cooperative can not or should not go outside its membership and make a drive for business, as is the common practice of commercial enterprises. The cooperative is established by a group of producers for the express purpose of marketing the products produced on their farms, and it is not a profit-making institution in the same sense as the ordinary commercial corporation.

In this respect there is a fundamental difference between a cooperative association and a commercial enterprise. In the case of a cooperative the members are not only members but are patrons in the sense that the members provide the products which enable the association to operate. The prosperity of the cooperative is the prosperity of its members, and any advantages which may be obtained in its business operations are passed on and become the advantages of the members. In the case of a commercial enterprise the members or stockholders are usually not the persons with whom the corporation deals, and their only interest in the business is usually limited to that of dividends on the capital invested. In other words, the successful operation of a cooperative over a period of years is dependent upon members who support their organization with an adequate supply of products.

The problem of procuring the full crop of the members is, from the standpoint of successful business operation alone, of tremendous importance. The manager, his executive staff, the board of directors, and the membership of cooperatives all need to give more attention to this important phase of the cooperative business. There are hundreds of cooperative associations throughout the country to-day, both large and small, whose future progress is seriously handicapped by the fact that a large number of the members are not delivering their products to the association. As a result the operating costs are often higher than they would otherwise be, and because of the lack of stability in volume the association is not able to develop the kind of a merchandising program that will build up trade confidence for its products.

MARKETING CONTRACTS

The question of marketing contracts is one of the important problems in connection with membership relations. A marketing contract in a cooperative is designed to provide for a relatively certain and stable volume of business, so that definite plans can be made for carrying out policies as to financing, insurance, sales, and general operating practices. About the only way in which a cooperative can efficiently merchandise its product is by developing contacts with a group of customers who look to it as a source of supply more satisfactory than the others available. A cooperative marketing organi-

zation must be in a position to supply its customers with a satisfactory volume of product if it is to develop a satisfactory service and a preference for its product among a group of customers. The building of a customer preference of this kind is very desirable in any business enterprise, as it tends to lessen sales resistance, and this in turn tends to decrease sales cost. But such contacts with customers can not be maintained unless the cooperative can normally be assured of a relatively stable volume of product available to fill orders. In other words, in a farmers' cooperative good business justifies the use of some form of marketing contract. This is certainly true of the association which undertakes to perform such marketing functions as selling and distribution and the development of trade outlets for its products.

The conditions surrounding a cooperative's membership, as well as the commodity and its market outlets, usually determine the character of the marketing contract. Experience in recent years indicates that the marketing contract in itself, even though recourse is made to every available legal means to render it "ironclad," does not always guarantee a stable and satisfactory volume of business for the association. Along with a suitable program for developing and maintaining an understanding and sympathetic membership, the marketing contract should be drawn to meet the changing conditions which confront producers.

A recent business study and analysis of the Staple Cotton Cooperative Association by the Department of Agriculture throws some interesting light on this problem. An analysis of the association's records of delivery by members during the first four years of its operation shows that there were theoretically 2,518 contracts in force at the end of 1924-25, but there were only 2,249 on which deliveries had been made at any time. This leaves 269 contracts, or 10.7 per cent, on which no deliveries had been made and for which the reasons for nondelivery were not a matter of record.

The association's records show that in 1924-25 only about 1,165, or 52 per cent, of those who had at some time delivered cotton to the association fulfilled their contract. A number of the 1,084 growers who failed to deliver cotton undoubtedly had discontinued the growing of cotton, but this would account for only a small percentage.

The number of members delivering increased in 1922, but declined in 1923 and 1924. An increased baleage was delivered in 1924, but this did not come from the fact that an increased number of members lived up to their contracts, but is accounted for by a somewhat larger average delivery per member.

In this study of delivery by members the consistency of delivery by the members that joined the first year was analyzed. The association's records show that 14 per cent of the 1832 members who signed contracts prior to the end of the first year, 1921-22, never delivered cotton to the association; 19 per cent delivered only the first year; 30 per cent delivered more or less irregularly during the four years; and 37 per cent delivered consistently each of the four years.

A study of the performance of the members of cooperative associations and the local conditions which surround the producers is essential to the understanding of the membership problems of an organization. It is important, from the standpoint of the management

of every association, to know and understand what caused some members to deliver and some members not to deliver. For instance, in the case of many cooperative associations, particularly in the South, it is important that the management seek to understand the financial conditions of the growers and to ascertain the extent to which indebtedness and the control of production credit have been factors in preventing delivery.

The problem of keeping the membership of the association adequately informed regarding its operations, policy, and progress, and at the same time developing an understanding among other business groups and the general public in the community as to the aim and scope of cooperative marketing is of great importance. No matter how efficient the association may be as a business organization, it will not receive the support it deserves until the members and the business men who have a large influence on public opinion in the community are convinced that it is well managed, efficiently operated, and responsive to the interests and welfare of its members and of the community.

This problem of developing an understanding and sympathetic membership in the cooperative is as important as problems such as organization structure, financing, and selling. Approach to this membership problem must be through a program of contact and relationship with the producers in the association that will develop an understanding of and a confidence in the association's operations. This presents the problem of working out ways of conveying to the membership such information as will develop a true understanding on the part of growers of their association. In many cases it would assist materially if an association continuously supplied its membership with first-hand information as to the organic set-up of the organization and its internal operations; how it handles the products and how it is finding markets.

Again, information regarding the economic situation prevailing in the particular industry which affects the demand for the product and the price therefor will help the members to get a clearer understanding and a fuller appreciation of the marketing job which the association is attempting to perform for the members and should make for stability and permanence on the part of the association.

The extent to which cooperative marketing will aid in adjusting production will depend to a great extent on the success with which the associations are able to work out their problems of membership relations. Many of the activities of cooperative associations, particularly those which adjust the producers' returns to the quality of his product, are reflected in improvements in production. The movement toward the elimination of undesirable varieties of apples is one example of this tendency. But joint conscious planning of their production on the part of the members must be guided by information received from their marketing association and will be successful only in so far as they have confidence in the organization. Unless the members are given full information and have confidence in the marketing policies of their association, it is not to be expected that they will be guided by its advice in their personal farming activities.

FINANCING

Financing is one of the major problems that constantly confronts cooperative marketing associations. (1) Money is needed for plant, equipment, and working capital; (2) particularly in the case of large-scale cooperatives, money is needed for the making of advances to producers upon the delivery of their products; and (3) there is the money problem of production-credit facilities as they affect the deliveries of members.

FIXED CAPITAL

In the case of associations with capital stock the money required for plant, equipment, and working capital is usually obtained by the sale of common and preferred stock. In the case of nonstock associations it is obtained from membership fees and dues, loans from members in the form of cash or credit, loans from banks, often on the security of notes given by members, sale of preferred stock in subsidiary corporations, and through the revolving-fund method, which usually involves the issuing of certificates of indebtedness.

MARKETING CREDIT

The problem of making advances to producers upon the delivery of their products normally arises only when the cooperative attempts to perform the service of carrying the product and feeding it into the market channels to meet consumptive demands. It does not normally arise in the case of livestock-shipping associations or like organizations. Ordinarily the chief means available to a cooperative association for raising money with which to make advances to members upon delivery of their products are the products themselves. Consequently it has become a common practice for cooperatives to borrow for this purpose large sums upon the products which they are marketing. The opportunity for this type of financing has been broadened by the facilities of the War Finance Corporation, the intermediate credit banks, and the large commercial banks.

The real test of this type of cooperative financing arises in times of business depression, when commodity markets experience extreme declines in comparatively short periods, as was the case in 1920 and 1921. It is very important in the case of such loans that both the banker and the cooperative keep well informed as to the price behavior of the commodity involved over a long period of time, and they should keep close watch on general economic conditions at all times.

Because an association may have virtually no assets except the products it is marketing, there may be times when marketing conditions justify bankers in demanding that part of a loan be paid off prior to the sale of the products, or in lieu thereof that additional collateral be supplied by the association. The right to make such demands depends upon the terms on which the loan was made. In case a loan proves to be excessive, the banker ordinarily has the right to sue the association for the deficiency, and upon obtaining judgment the banker can seize sufficient property of the association to satisfy the debt. Probably in some instances, the association that

found itself in this predicament would be forced into the hands of a receiver.

If an association, out of money which it had borrowed or obtained in some other way, should make excessive advances to its members upon their products it would have legal right to recover the amount of such excess advances from its members. The California Associated Raisin Growers several years ago successfully brought suit against some 600 members for the purpose of obtaining the amount of the excess advance made to each. The undertaking of a cooperative is merely to pay the member the sale price of his products less marketing expenses and any other specified deductions. In the event an association overpays a member there seems to be no question but that it may recover the amount of such overpayment from him. If an association should make excessive advances out of borrowed money and subsequently be placed in the hands of a receiver by the bank which had loaned the money out of which the advances were made undoubtedly the receiver could sue the members of the association to recover the amount of the overpayment in each instance.

PRODUCTION CREDIT

The last few years have demonstrated that cooperative marketing is intimately and vitally concerned with the problem of satisfactory credit facilities. The control of production credit is essential to satisfactory cooperative marketing in many commodities. In certain sections of the country associations have found it exceedingly difficult to obtain as large a proportion of a product as they desired because of problems tied up with the financing of the production activities of growers. Associations have found often that growers who wanted to become members were, from a practical standpoint, ineligible to membership because credit conditions tied them to other agencies. In many instances growers have been advised by those from whom they expect to obtain production credit that loans would not be made if the growers entered into contracts to market their products through cooperatives. Again, although a member of an association may have obtained production credit from his banker, he may find that the banker objects to having the product marketed through an association, and complications and difficulties follow.

In some States cooperative associations have endeavored to obviate some of these difficulties by procuring the enactment of statutes providing for the filing or recording of their contracts, to the end that those who take liens or mortgages after such contracts are filed or recorded are charged with notice of the contracts and take subject to them. For instance, if a bank loans money to a grower who has entered into a contract with an association to market his products and the contract has been filed the banker can not successfully object to having the grower deliver his product to the association for marketing. Although this provision of law has advantages from the standpoint of cooperative marketing, the influence it might have on the availability of credit to farmers must be kept in mind. In some instances, although the contracts had not been filed or recorded, the courts have held that if a person who loans money and takes as security therefor a lien upon the crop of

a member of an association knows at the time that he makes the loan that the grower has agreed to market his products through the association he can not successfully object to the delivery of the product to the cooperative for marketing. But it is apparent that if growers are obliged to borrow money from those unfriendly to the cooperative method or to a particular association the power and influence of the creditor will be used to hamper and check cooperation.

MANAGEMENT

But the form of organization in a cooperative enterprise is perhaps of minor importance compared with management. Wisely planned and intelligently directed management is by far the most important element in business success, and lack of it the most certain cause of failure. The marketing of agricultural products is a business undertaking, and the cooperative association that undertakes the job must adhere to the fundamental principles of business. The management problems of a cooperative association may often appear different, and some are different, from those confronting commercial businesses, but in wrestling with these problems the association needs to observe the same fundamental business principles that permeate all successful business institutions to-day.

What is meant by this important phase of business called management? In a broad and practical sense business management is the control and direction which is exercised over all the activities of the organization. It is not limited to any one phase, but includes office operations, accounting and pooling, merchandising, market analysis, membership relations, and many other activities.

BOARD OF DIRECTORS

The control and direction of a cooperative association can not be left to any one individual. In any business there is a group of individuals to which has been delegated the responsibility of formulating policies and directing their execution—the board of directors. Every member of the board has a definite share in the responsibility of formulating sound policies and seeing that they are properly carried out.

In speaking of management particular emphasis should be given to the duties and responsibilities of the board of directors, as the directors play a most important part in the efficient operation of cooperative associations. It is well to remember in business management that unless a man has sound business sense and is peculiarly adapted to acting as manager of a business, or to functioning as a director or officer, he may prove detrimental rather than helpful, although personally of the highest type. A man might be the best farmer in the community and the most loyal member in the association and yet not be fitted to help direct its business operations. Many cooperative enterprises have been wrecked because the board of directors lacked an understanding of management problems. Moreover, petty internal politics have often hindered the effectiveness of the management.

Membership on the board of directors is a trusteeship, not simply an honor, and carries with it high responsibilities and duties toward

the successful conduct of the organization's business which no director should shirk. The members upon whom this trusteeship has been placed must inform themselves regarding the principles of business and about the operations of the business for which they are responsible. The importance of each director being thoroughly informed about the operations of his organization and the broader business principles can not be overestimated. There are many co-operative organizations to-day whose progress is being slowed up because of the lack of a forward-looking program and wise direction.

The board of directors and the executive staff (usually consisting of the manager and responsible department heads) of a cooperative enterprise are charged with the responsibility of formulating policies and directing their execution. Each group has its own definite and distinct responsibilities, but it is essential that the two work together closely in dealing with the many problems that arise in conducting a business.

Broadly speaking, the board of directors is charged with (1) formulation of policies, (2) selection of a competent manager to carry out these policies, (3) ascertainment that these policies are actually put into execution, and (4) knowledge of the results they bring about.

The board's job in formulating policies is a most important one. Before board members can formulate sound policies they must seek facts. The manager should be in a position to assist the board in obtaining facts and in the interpretation of their significance. In becoming acquainted with the business it is important that the directors form conclusions only on the basis of facts and that every vestige of prejudice and preconceived opinion be cast aside. They can not be guided by opinions of members and others. Hearsay evidence is often fatal to successful operation.

In selecting a competent manager the board of directors is called upon to perform one of its most important duties. With the average board of directors of a farmers' cooperative association this is often one of the most difficult tasks. The average farmer has had but little contact and experience with big business operations and has only a limited knowledge of the qualifications that are indispensable to successful executive work.

In ascertaining whether policies have been satisfactorily carried out and in studying the results obtained the board frequently at a loss for a yardstick with which to measure the progress made. Unfortunately, instead of attempting to weigh the results of management by careful study and analysis of available facts regarding the operations too often the board members spend their time meddling with petty and insignificant details of day-to-day affairs.

The manager and the executive staff are responsible for carrying out policies laid down by the board as well as attending to the details of operation. The manager should be selected because of his ability to carry out policies and handle administrative matters. The handling of details must not be interfered with by the board. The manager and his executive staff must be free to work out the details and seek results in their own way.

In a measure, management will succeed only to the extent that a real effort is made by the board and executive staff to answer the

questions of price, demand, and merchandising problems on a basis of actual facts rather than on the basis of mere opinion. A certain amount of research, as an aid to management, particularly with the large-scale associations, is highly important to the board in shaping its program. The board needs statistical information on price history as a basis for determining the price and sales policy. It needs information as to what factors determine demand and a knowledge as to the grades suited to the particular markets they are serving. A statistical analysis of available data will often throw some very helpful light on old and new markets, their peculiarities, and needs. In the case of some associations technical research will develop new products and by-products which can utilize excessive supplies. But commercial research should be looked upon only as a tool and a helpful guide in the development of the marketing program and efficient operation. It is not a substitute for intelligent work and good judgment.

SELLING PROGRAM

In any program of selling farm products a cooperative marketing association is first confronted with the important problem of developing a sound and effective price and sales policy. It is only through the development and successful carrying out of such a policy that the members are able to obtain the full benefits from their organization.

The boards of directors are responsible for the formulation of a sound price and sales policy for the association. In discharging a responsibility they need to know the factors which determine the price for their commodity, the reaction of price to changes in supply, what the effective demand is, and how it is reflected in the price, the probable seasonal and other changes in price under varying economic conditions. In all these matters the manager and other members of the executive staff can be of considerable help and their advice should be sought. They should make available to the board full information about supply, probable market demand, and price behavior. This is vital to the board in shaping its selling program.

In popular discussion there are two theories as to what constitutes the best price and sales policy for a large-scale farmers' cooperative marketing association which undertakes to perform the marketing functions of carrying the product and feeding it into the consuming channels. One of these assumes that it is the aim of a cooperative association to effect such control of a product as to enable it to dictate an arbitrary price without reference to supply and demand conditions. The other theory assumes that an organization handling farm products can not maintain prices which are out of line with economic conditions, and that in the long run its members will receive the largest benefit through the development of a price and sales policy which attempts to adjust supply to demand.

It is possible to fix a price, but it is not possible to make the customers pay that price. There is practically no agricultural commodity which is so essential to human existence that substitution can not be made for it, at least in part, and this possibility of substitution destroys any effective arbitrary control of price over a period of time. Usually a brief analysis of the price history of

various commodities and its relation to some of the more evident demand and supply factors will illustrate the difficulty that a cooperative association would encounter in attempting to fix prices arbitrarily.

The aim of the selling program of a cooperative should be a service to customers of the product handled. Broadly speaking, it must sell according to market demand. Such a program usually brings the most satisfactory results in the long run.

A thorough study of price and demand history of the commodity and a knowledge of present and potential supply are essential before the correct selling program can be determined. What might constitute a satisfactory selling program for one commodity might not bring the desired results with other commodities. Because of ever-changing economic conditions, it is unlikely that the sale of the crop in equal periodical installments would constitute the type of sales program which an organization would want to adhere to strictly at all times. Demand is not equally active at all times, and to force the sale of a commodity in order to satisfy the "equal installment" program would probably result in making unsatisfactory price concessions.

SEASONAL PRICE CHANGES

A large-scale cooperative marketing association handling wheat or cotton, for instance, should give some attention to the seasonal trends in the price of its commodity. Helpful information on the seasonal price changes can usually be obtained through a careful examination of the seasonal movements for individual years over a long period. It is not possible for an association to take advantage of seasonal changes unless some reliable means for forecasting these changes can be found. Further research, both by large associations and by State and Federal agencies, is needed on the whole question of price behavior of farm commodities.

But in addition to the seasonal price movement there are usually short-time up-and-down swings in the market. These continue for varying lengths of time. The strongest demand for a commodity usually comes during periods of rising prices. On the other hand, manufacturers and dealers generally do not want to buy when the price is falling, believing that it will go lower. It would seem that a program of selling could be evolved by some of the large associations which would take advantage of short-time swings in the price movement by selling the commodity in response to demand, which is usually strong during periods of rising prices, and by not forcing sales during the periods of price recession. Such a selling program would probably tend to result in a somewhat better-than-average price.

OTHER PROGRAM FACTORS

An effective selling program must go further than taking advantage of up-swings in the market. It involves the adoption of satisfactory grades, perhaps standardized grades, and these must always be lived up to if the association is to maintain the confidence of its customers. The association must know the needs of its customers in order that it may provide for satisfactory terms and methods of sale. The aim of selling must be effective service to customers.

ORGANIZATION OF THE UNITED STATES DEPARTMENT OF AGRICULTURE

November 19, 1926

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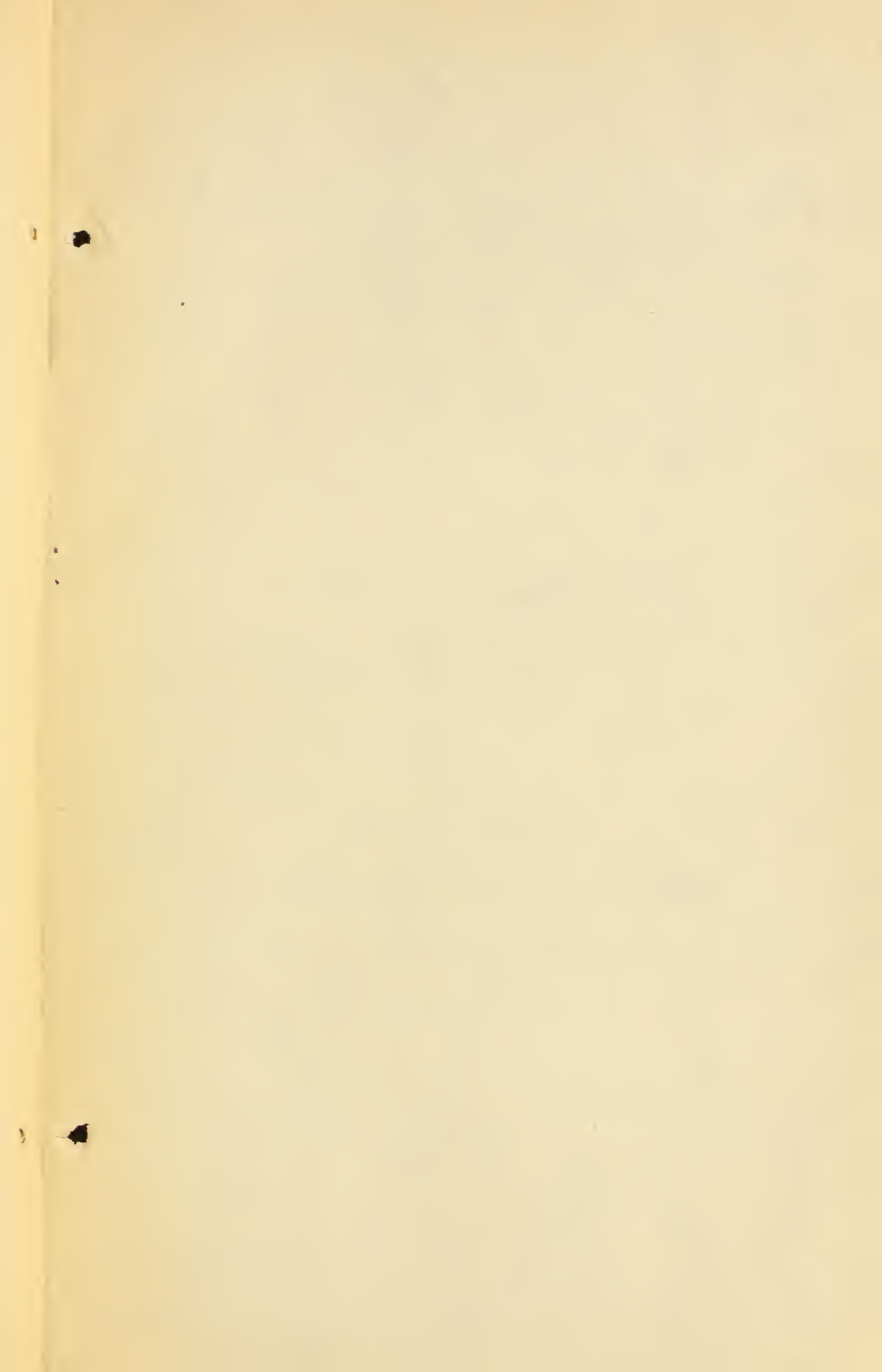
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14

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